Transfer of the Drug Medi-Cal Treatment Program to the Department of Health Care Services

Quarterly Update

Submitted by the Department of Health Care Services
In Partial Fulfillment of Requirements of Senate Bill 1014
(Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2012, Welfare and Institutions Code, Section 14021.30(h))

September 28, 2012

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I. Background

The Department of Health Care Services (DHCS) is the Single State Agency for the administration of the Medicaid program, called Medi-Cal in California. While DHCS administers most of the Medi-Cal program, in some cases, it has delegated the administration of certain components to other departments. DHCS began providing Drug Medi-Cal (DMC) services in 1978, but in 1980 it entered into an Interagency Agreement with the Department of Alcohol and Drug Programs (DADP) to administer the DMC Treatment Program. As part of the Fiscal Year (FY) 2011-12 budget process, Governor Brown signed Assembly Bill (AB) 106 (Chapter 32, Statutes of 2011), which enacted law to transfer the administration of the DMC Treatment Program from DADP to DHCS, effective July 1, 2012 and required submission of a transition plan. Finally, to complete the transfer, the Governor signed Senate Bill (SB) 1014 on June 27, 2012, which provided DHCS with all statutory authority necessary to administer the program.

II. Purpose of the Update

SB 1014 directs DHCS to provide quarterly updates to the Legislature, stakeholders, and the public on the transfer of the DMC Treatment Program. The update provides a current picture of the successes and challenges DHCS currently faces in administering the program. The update provides information only thru mid-September 2012 to accommodate the Legislative October 1, 2012 submission date.

The most important item to note is that the program's transfer has not caused any lapse in DMC service to beneficiaries. This result is owing to comprehensive transition planning by the DHCS/DADP Transition Team, stakeholder input and involvement, and an array of transition activities performed by DHCS and DADP staff.

III. Stakeholder Engagement

DHCS obtained valuable input during the preparations for transfer and continues to engage stakeholders.

Drug Medi-Cal Waiver

DHCS consulted with the federal Centers for Medicare and Medicaid Services (CMS) to prepare for the July 1, 2012 transfer and determined at that time that a waiver for the Drug Medi-Cal program was necessary. The primary reason for a freedom of choice waiver was that DMC clients must access program services only through a network of contracted providers and cannot go to certified providers without contracts. DHCS informed stakeholders of this requirement and the need to proceed with development of a waiver application.

Stakeholder input was critical to the development of a waiver, so DHCS initiated a series of regular stakeholder meetings to work through the various components of the waiver application.

Stakeholder response to the concept of a waiver varied significantly, and at one point led to receipt of a legal opinion from a provider association challenging the need for a waiver. DHCS immediately shared the letter with CMS and requested a meeting. After further discussion between the State and CMS about DMC operations and the issues raised in the letter, CMS determined that a waiver was not necessary. The primary reason for this determination is that any certified provider can get a contract with either the county or the State if they seek one. With this clarification, the program met all requirements for providing freedom of choice to eligible Medi-Cal beneficiaries. DHCS ended the stakeholder meetings specific to developing a waiver application given that there was no federal mandate as originally understood. Again, there is wide variation of stakeholder reaction to this development, and while some are very satisfied with the outcome others feel strongly about the need for a waiver. DHCS expects that this issue will continue to come up in future stakeholder discussions.

Other Stakeholder Engagement

With the CMS determination about the waiver application, DHCS is now refocusing the discussion on the DMC Treatment Program. DHCS will work with stakeholders to determine what is needed to improve DMC. There is a rich base of information upon which to focus these discussions, some that came out of previous stakeholder meetings about the DMC transfer (see Attachment A) and some that came up in stakeholder discussions about the waiver application. DHCS is beginning a process to discuss and prioritize DMC recommendations with stakeholders, and the first meeting is scheduled for October 9, 2012.

Since the program transfer, DHCS continues to use existing forums such as County Alcohol and Drug Program Administrators' Association of California (CADPAAC) meetings, monthly CADPAAC Executive Committee meetings, the DADP Director's Advisory Committee, and other forums, to make itself available to stakeholders and hear their recommendations and concerns about the DMC Treatment Program. DHCS has also met with provider groups and associations upon request and has agreed to have regular check-in meetings to facilitate ongoing communication.

DHCS has an ongoing philosophy and practice of working with stakeholders to keep abreast of how the program and its services are functioning and identify needed corrections or improvements. DHCS acknowledges the importance of stakeholder input regarding all aspects of the DMC Treatment Program and commits to on-going communication with our external partners.

IV. Contracts

DHCS, in cooperation with DADP, issued amendments to create three-party contracts between DHCS, DADP, and county or direct contract providers for FY 2012-13 in an effort to reduce delays and potential interruption in services. The State issued three-party amendments to multi-year contracts on June 12, 2012. As of mid-September, more than two-thirds of the forty-five county contracts and all of the sixteen direct provider contracts are fully executed and processed. The remaining contracts are in process with the respective counties. DHCS will continue to communicate with counties that have not yet submitted their contract amendments; this is particularly important given that DHCS is unable to process payments until it has fully executed contracts in place.

DHCS is preparing updated contract boilerplate language for DMC certified providers who seek a direct contract to provide DMC Treatment Program services. These providers cannot get contracts with the county in which the provider conducts business because either the county does not participate in a particular modality of the DMC Treatment Program or the county has refused to contract with the provider.

DHCS will begin working later this year on updated contract boilerplate language and supporting documents for new contracts in FY 2013-14. These will solely be two party contracts between the county or direct provider and DHCS.

V. Claims & Payments

DHCS Information Technology Services Division (ITSD) is responsible for migrating DADP's accounting system, the Short-Doyle Medi-Cal Application Remediation Technology, referred to as SMART. The successful migration of the SMART system included the following modifications: change to DHCS banners; SCO payment changes; PCA/Index codes changes; and changes to accommodate the realignment of funding from state to counties. There has been no reported negative impact on providers' ability to submit claims through the Short Doyle Medi-Cal (SDMC) system since the transfer.

The transfer of the program from DADP to DHCS resulted in delayed payments to counties and direct contract providers resulting from the one-time movement of the accounting and payment systems over to DHCS. The transfer of the DMC Treatment Program to DHCS required DADP to discontinue payment processes on June 10, 2012 to allow sufficient time for the accounting system to transfer. Additional delays are due to difficulties in the following areas: receipt of contracts from counties and direct providers, completion of encumbrance documents to meet the needs of both Departments, as well as, the State Controller's Office (SCO), establishing a new

process for resolving encumbrances, and the cutoff period for scheduling and issuing payments.

As part of system change testing, SCO and DHCS Accounting successfully processed the first production payment file with four county payments, and SCO issued the warrants on August 31, 2012. The positive results from this testing indicate the SMART payment system is operational, and DHCS has now resumed the county payment process and scheduling of payments. DHCS began processing payments for direct contract providers on September 12, 2012.

DHCS Accounting will continue to process the backlogged payments and expects to have the claim payments current by November 1pending receipt of all fully executed contracts and agreement summaries.

Currently, the Short-Doyle claims payment system is not issuing 835 Remittance Advices in specific circumstances. These include claims with an offset of funds, duplicate approved claims, etc. Failure to receive 835s can cause problems for counties and direct contract providers, as they are then unable to access claim status and make needed corrections. This can result in either an overpayment of funds or underpayment of funds. DHCS ITSD and DMC staff are working together for a solution that will result in the issuance of the 835s.

DHCS Accounting has designed new procedures for direct contract billing of counties. Since the 2011 Realignment and prior to the DMC transfer, DADP's system for processing direct contract provider invoices included placing a hold on the payment and preparation of invoices for the county in which the provider is located. The county would issue payment to DADP, which would then process the payment to the provider. These procedures were cumbersome and caused significant delays in providing payments to direct contract providers. DHCS's process will shorten the time for provider reimbursement by first paying the direct contract providers and then billing the county for the non-Federal financial participation (FFP) portion from their 2011 Realignment funds. This revised process will assist direct providers with cash flow, and it will not have an adverse impact on DHCS cash flow unless the counties delay their reimbursement to DHCS.

There are direct contract providers with contracts that expired on June 30, 2012, who have submitted claims that have not yet been paid. These contracts were with DADP and therefore payment must be made through that department. DADP Accounting is working to issue manual payments for the approved claims with assistance from DHCS Accounting staff.

VI. Cost Reports

Counties use the Paradox application to submit cost data that DHCS and DADP use to settle cost reports. This system supports the DMC Treatment Program and non-DMC alcohol and drug programs. To ensure no interruption of services to contractors, the system would have required software upgrades as part of a 'Lift and Shift' process. DHCS determined that these issues posed a significant risk to moving the system successfully on July 1, 2012.

DHCS and DADP staff will continue to conduct all cost report activities as part of a mutual agreement between the departments. DHCS has supported these joint efforts by allowing currently designated DHCS employees to assist with processing final cost reports for FY 2010-11

DHCS has issued hard copy reporting and instructional documents to the counties and has now finalized the Paradox application. DHCS has finalized the direct provider cost reporting and instructional documents will be issuing them in late September 2012.

DHCS and DADP issued the cost report Paradox application on September 24, 2012. The cost reports are due November 1 of each fiscal year, but the delay in issuing the cost report Paradox application may cause some counties and direct contract providers to be late in submitting their cost report. DHCS and DADP will work with counties and direct service providers to reduce delays as much as possible and have provided a one-month extension for submission of the cost reports to December 1, 2012.

VII. DMC Certification and Provider Information

The DMC certification process includes application review, tracking, site visit, approval or denial, and issuance of DMC certification documents. DHCS must complete the certification process within 180 days of the date of application. Currently, there are 85 DMC certification applications in process, with the oldest application in the queue at 130 days.

DHCS's DMC Certification unit is addressing the problems associated with slower certification processing. Additional steps in processing applications are the result of processes requiring DHCS staff access to DADP systems, network, and documentation

VIII. Post-service Post-payment

The Post-Service Post-Payment (PSPP) Unit is responsible for conducting post-service post-payment utilization reviews of DMC services. Reviews include verification that

beneficiaries meet admission criteria and that beneficiary files include required documentation. The unit also provides technical assistance and training to DMC providers and county staff.

The PSPP unit is currently reassessing its business processes to improve the efficiency, effectiveness, and consistency of the unit's work. The unit is also working to ensure appropriate documentation of all critical business processes. Unit staff have begun their PSPP reviews for this fiscal year.

IX. Information Technology Services

DHCS Information Technology Services Division's (ITSD) strategy for IT system migration was to "Lift and Shift' each application in its entirety over to DHCS, making as few changes as possible in the transition. This approach offered the safest, easiest, and most cost effective option while ensuring minimal to no interruptions to the affected IT systems, including SMART. The SMART application completed its migration as planned on July 5, 2012. Work on the migration of the Paradox system to DHCS continues.

Changes to the Information Technology Web Service (ITWS), Short Doyle Medi-Cal and DMC and Provider Registry Information Management Enterprise (PRIMe) systems were either minor or unnecessary for the transfer, and there have been no reported deficiencies in operations due to the transfer.

DHCS ITSD also successfully added DMC staff to the DHCS network, transitioned all email accounts and provided intranet access on July 2, 2012.

X. State Plan Amendment

DHCS began working on a State Plan Amendment (SPA) in January 2012 in anticipation of the transfer of the DMC Treatment Program. DHCS determined, in consultation with CMS, that a SPA is needed to acknowledge the change in program administration and to update the State Plan accordingly. DHCS provided CMS with a draft version of SPA 12-005 in early May 2012. CMS completed an informal review of the draft and replied with informal comments and questions in early June 2012. Although the DMC program has been in existence since 1978 and administered by DADP since 1980, this is very much like a new program to CMS, and there have been extensive discussions between DHCS and CMS to ensure a full and complete understanding of the program. These conversations have resulted in a CMS request to clarify and update some of the DMC narrative in the State Plan.

DHCS and DADP staff are completing the assembly of data and drafting of responses to CMS comments and questions. DHCS will formally submit SPA 12-005 to CMS by the end of the September 2012 and will simultaneously share it with stakeholders. The

SPA does not make any substantive changes to the Drug Medi-Cal program. There are no changes in policy, scope or utilization of benefits, delivery systems, or provider qualifications. The SPA is currently under review in preparation for submission. The effective date of the SPA, when approved, will be July 1, 2012.

XI. Organization and Structure

DADP developed a prioritization and selection process for transferring fifty-nine DADP DMC Treatment Program positions to DHCS, some of which were vacant. The departments met with the Department of Human Resources and DADP notified applicable unions about the transfer of staff. The transferred staff represent a broad cross-section of individuals with general Alcohol and Other Drugs (AOD) experience and DMC Treatment Program expertise, including former DADP senior management staff. DHCS Human Resources Branch worked with DADP Human Resources Branch to transfer successfully all personnel forms, official personnel files, and all other necessary records to DHCS for all transferred employees.

To ensure that the DMC Treatment Program remains prominent in the organization, DHCS added a new Deputy Director of Mental Health and Substance Use Disorder Services to the executive management team. The Deputy Director, Vanessa Baird, whom the Governor appointed on July 27, 2012, reports directly to the DHCS Director.

The Deputy Director of Mental Health and Substance Use Disorder Services oversees two new organizations: the Drug Medi-Cal Division, and the Mental Health Services Division. This reporting structure replicates the oversight responsibilities of the other three program Deputy Directors in DHCS. The two new divisions provide a focus on their unique and separate health issues. While they are separate organizations reporting to the Deputy Director, they will also benefit from the co-location under a single deputy that will facilitate better coordination of services over time.

Attachment A

Summary of Stakeholder Comments

Addressing the Drug Medi-Cal Treatment Program

Through various stakeholder meetings, the Department of Health Care Services (DHCS) and the Department of Alcohol and Drug Programs (DADP) received input regarding the transfer of the DMC Treatment Program, including desired improvements. Stakeholders included county program administrators, treatment providers, trade associations, professional groups and interested individuals. Beyond the specific concerns and recommendations listed below, stakeholders repeatedly stressed ensuring that substance use disorder (SUD) drug programs remain a high priority within the Administration with adequate representation and resources to serve communities.

The following is a summary of the input provided from stakeholders. Please see the DHCS website at www.dhcs.ca.gov or click here, for a complete listing of comments received by the department. Additionally, please check the DADP website at www.adp.ca.gov or click here, for comments they received during their stakeholder processes.

Expansion of Services

- Expand the types of services reimbursable by DMC Treatment Program.
    - Broaden Medication Assisted Treatment options
    - Increase flexibility regarding the number of clients permitted in group counseling sessions that may be billed to Medi-Cal
    - Permit all SUD clients to utilize residential treatment options
    - Reimburse two treatments in one day
    - Encourage the use of the social model (as opposed to a medical model) of treatment
    - Reimburse for:
        - Counseling of family members
        - Drug testing
        - HIV & Hepatitis testing
        - Greater collaboration of treatments for those clients with Co-Occurring Disorders
- Adopt Medicaid's Rehabilitative Service Option for SUD treatment.
- Provide SUD services under Medi-Cal's managed care option.

Billing

- Streamline the billing process.
- Conform DMC Treatment Program billing to that of Medi-Cal specialty mental health services.
- Allow more time to submit claims.

Attachment A (continued)

Billing (continued)

- Clarify policies regarding Minor Consent[1], and dual eligible[2] clients
- Accept credit card payments for narcotic treatment program (NTP) slot fees.

Rate Setting

- Keep the establishment of rates as a state-level function to prevent disparate rates amongst the counties.
- Increase the reimbursement rates.

Regulations

- Update the regulations covering DMC Treatment Program.
- Eliminate Title 22 (DMC) & Title 9 (NTP) regulations and defer to federal regulations.

DMC Certification

- Streamline the certification process.
- Substitute either national or Commission on Accreditation of Rehabilitation Facilities (CARF) for provider certification.

Adjudication of Denials of Payments

- Improve the timing and transparency of claims denials.

Cost Reports

- Eliminate cost reports.

[1] Minor Consent is a state program that provides certain health care services to individuals under the age of 18 without those individuals' parents or guardians consent. (Cal. Family Code 6929)

[2] Dual eligibility refers to those enrolled in Medicare and Medi-Cal.

Attachment A (Continued)

Stakeholder Questions

- How will the transfer of the DMC Treatment Program to DHCS, and the realignment of SUD responsibilities to counties, affect those counties who do not currently participate in the DMC program?
- How will DHCS address cultural competency (specifically Native Americans)?
- What technical support can DHCS provide to help SUD treatment providers meet Health Care Reform requirements that will go into effect in 2014 (i.e. electronic health records)?
- Is DHCS considering any new federal waivers for SUD services?